

Message Text

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SUBJECT: JAPANESE RESTRICTIONS ON CIGARETTE IMPORTS

REFS: (A) TOKYO 2422, (B) GENEVA 2054

1. FOLLOWING SUPPLEMENTS INFORMATION PROVIDED

REF A IN RESPONSE TO REF B.

2. THE JAPAN TOBACCO AND SALT PUBLIC CORPORATION
(JTS), A GOVERNMENT-OWNED AND REGULATED MONOPOLY,
CONTROLS ALL MANUFACTURE AND DISTRIBUTION OF
TOBACCO PRODUCTS IN JAPAN. ALL SUCH TOBACCO PRODUCTS
MANUFACTURED IN JAPAN ARE PRODUCED IN JTS FACTORIES.

3. IN 1976 (LATEST FIGURES AVAILABLE), 291.4
BILLION CIGARETTES WERE CONSUMED IN JAPAN. OF
THIS AMOUNT, 2.775 BILLION (ABOUT 1 PERCENT) WERE
IMPORTED.

4. THERE ARE APPROXIMATELY 249,400 JTS-AUTHORIZED
RETAIL TOBACCO SHOPS IN JAPAN. LESS THAN 13,700
SHOPS ARE PERMITTED TO SELL FOREIGN BRAND CIGARETTES.
ACCORDING TO JTS, HOWEVER, THESE SHOPS HANDLE OVER
50 PERCENT OF ALL TOBACCO SALES. IN ADDITION
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TO THE TOBACCO SHOPS, MOST HOTELS, RESTAURANTS,
TEA PARLORS AND TRAIN STATION KIOSKS ALSO SELL
DOMESTIC BRANDS BUT THE EXACT NUMBER OF SUCH
OUTLETS IS NOT AVAILABLE. ABOUT 200,000 VENDING
MACHINES ALSO SELL DOMESTIC BRANDS.

5. ADVERTISING BY FOREIGN CIGARETTE SUPPLIERS IS
RESTRICTED TO ENGLISH-LANGUAGE MEDIA. OTHERWISE,

ONLY JTS CAN ADVERTISE CIGARETTES IN JAPAN.
PRACTICALLY ALL JTS ADVERTISING IS LIMITED TO 15-SECOND
TV AND RADIO SPOTS DURING ONE-MONTH INTRODUCTORY
AD CAMPAIGNS FOR NEW DOMESTIC BRANDS. JTS'S ANNUAL
BUDGET FOR ADVERTISING IS ONLY \$2.5 MILLION. JTS
DOES NOT ADVERTISE FOREIGN BRANDS EXCEPT AT THE
WHOLESALE LEVEL. RETAILERS ARE PROVIDED WITH
SUFFICIENT INFORMATION ABOUT FOREIGN BRANDS TO
ANSWER CUSTOMER QUESTIONS ABOUT THE PRODUCT.

6. RETAIL PRICES OF TOBACCO PRODUCTS ARE FIXED BY
LAW ACCORDING TO THE QUALITY OF THE TOBACCO.
RETAILERS ARE NOT FREE TO CHANGE PRICES. IF JTS
BELIEVES A PRICE CHANGE IS JUSTIFIED, JTS PREPARES
FOR DIET CONSIDERATION A BILL CONTAINING RECOMMENDED
PRICES. PRICES OF DOMESTIC BRANDS WERE LAST RAISED
DECEMBER 18, 1975; FOR FOREIGN BRANDS PRICES WERE
LAST LOWERED NOVEMBER 1, 1977.

7. PROFIT MARGINS PERMITTED RETAILERS ARE 10 PERCENT
FOR DOMESTIC BRANDS AND 7 PERCENT FOR IMPORTED BRANDS.
THESE MARGINS ARE ADMINISTRATIVELY SET BY JTS.

8. IN 1977 THE AVERAGE CIF VALUE FOR THE MOST
POPULAR IMPORTED U.S. BRAND WAS 49.5 YEN PER
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PACK (22.5 CENTS AT RECENT RATE OF 220 YEN \$1.00).
THE CONSUMER SALES PRICE IS 260 YEN (\$1.18) PER
PACK, PROVIDING THE RETAILER WITH A PROFIT OF
18 YEN (8.2 CENTS) PER PACK. THE REST IS LARGELY
PROFIT TO JTS. THIS COMPARES WITH A CONSUMER
SELLING PRICE OF 150 YEN (68.2 CENTS) PER PACK
FOR THE MOST POPULAR DOMESTIC BRAND, WHICH
PROVIDES THE RETAILER WITH A PROFIT OF 12 YEN
(5.5 CENTS) PER PACK.

9. EACH MONTH JTS PURCHASES FOREIGN BRAND CIGARETTES
FROM AGENTS OF FOREIGN TOBACCO COMPANIES WHO HOLD
STOCK OF THESE CIGARETTES IN BONDED STORAGE IN
JAPAN. THE QUANTITY PURCHASED IS DETERMINED BY
RETAILER DEMAND FOR SPECIFIC BRANDS. THE PURCHASE
PRICE IS NEGOTIATED ONCE A YEAR BETWEEN JTS AND
THE SELLING AGENTS.

10. REGARDING QUESTION OF WHETHER COMPLAINTS
BY U.S. CIGARETTE MANUFACTURERS HAVE BEEN TAKEN UP
WITH GOJ IN PAST COUPLE OF YEARS (PARA 4 (A)
REF B), TO OUR KNOWLEDGE SUCH REPRESENTATIONS HAD
NOT BEEN MADE PRIOR TO TFC CASE REPORTED REF A.

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